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**Homeowners Association**

Arizona Corporation Commission

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August 23, 2000

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Mr. Carl J. Kunasek, Chairman  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, AZ 85007

G-03703A-00-0283

Dear Chairman Kunasek and Members of the Commission:

This letter pertains to the application, Docket No. G - 03493A - 98, dated April 28, 2000, filed by Black Mountain Gas Co., in which it attempts to justify its request for a "Rate Adjustment" (read increase) for its Cave Creek Operations. Our Homeowners Association represents approximately 5% of their total customer base, residential and commercial. We are not expert in matters relating to monopolistic utilities, therefore do not offer a professional opinion as relates to this request.

We do have respect for "our gas company" and we want it to be successful. The transition, two years ago, from a locally owned company to a division of a huge, out-of-state corporation went smoothly, as far as service levels were concerned. We realize that to keep the total delivery system safe, regular maintenance and replacement of lines are necessary. We want "our company" to be safe and make a fair return. This is where you come in, because as previously mentioned, this is not our field of expertise.

We are not without a few thoughts, however. Jim Willson, the CEO of Black Mountain Gas, was kind enough to share with me, a complete copy of their application, now before the Commission. Perhaps their request for an increase on the merits is justified. If so, **we support it.** Conversely, if the underlying reasons for the increase are because NSP paid too much for the company; because they are trying to re-coup too quickly the \$700,000. investment in their new headquarters building; because almost \$100,000. of salary increases and bonuses last year are not supported by operating efficiencies and productivity improvements; because the residential customer is being asked to bear a disproportionate share of the request; and/or because Cave Creek is being asked to pick up any slack at Page, AZ....then, in fact, **we object to the request for an "adjustment."**

In the Summary Results of Operations, we see a worsening in performance from 1997 to the present, even though revenues **have been increasing.** **Net income has dropped from \$1,296,212 to \$829,284.** **Return on equity has dropped from 15.58% to 7.69%.** **Lets be certain that any rate increase allowed, is not just a cover-up for less efficient operations!**

While the request calls for an increase that "will increase the average residential customers bill 7.02%," let us remember that, that is a "theoretical" number, based upon projected usage. Meanwhile, a 9% increase is requested in the monthly service charge, a 6.8% increase in the therm rate; a 25% increase in a service call and an 80% increase in an after hours call.

As a former businessman, not fortunate enough to operate a monopoly, I would think that they have overstated their projected cost of capital and equity, especially in these non-inflationary times. Furthermore, they state that the rate increase, if granted, will improve their projected rate of return from 7.85% to 9.61%... **a 22.4% increase! Their market is growing, their risk is low, their competition is nil,... why the rush to get better so quickly?**

We are confident that the Commission, with concerns for both the utility and their customers will, upon due deliberation, arrive at a fair and just decision. We thank you too, for **listening to a customer!**

Sincerely yours,



M.M. Eicher

President

P.S. We find it curious that although the recent acquisition of Black Mountain Gas by NSP has afforded some efficiencies in minor cost items, **no reductions have occurred in gas procurement activities. What happened to "economies of scale?"**

cc. Mr. James H. Willson, CEO, Black Mountain Gas  
Board Members, BHOA  
Mr. Edward Morgan, Mayor, Town of Carefree